

VZCZCXRO5133

OO RUEHAG RUEHAST RUEHBI RUEHCI RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW  
RUEHLA RUEHLH RUEHLN RUEHLZ RUEHPOD RUEHPW RUEHROV RUEHSR RUEHVK  
RUEHYG

DE RUEHTA #2025/01 2881046

ZNR UUUUU ZZH

O 141046Z OCT 08

FM AMEMBASSY ASTANA

TO RUEHC/SECSTATE WASHDC IMMEDIATE 3564

INFO RUCNCIS/CIS COLLECTIVE 0681

RUCNCLS/SOUTH AND CENTRAL ASIA COLLECTIVE

RUEHZL/EUROPEAN POLITICAL COLLECTIVE

RUEHBJ/AMEMBASSY BEIJING 0083

RUEHKO/AMEMBASSY TOKYO 0793

RUEHBS/USEU BRUSSELS

RUEHVEN/USMISSION USOSCE 1967

RUCNDT/USMISSION USUN NEW YORK 1915

RUEHNO/USMISSION USNATO 2252

RHEBAAA/DEPT OF ENERGY WASHDC

RUCPDOG/DEPT OF COMMERCE WASHDC

RUEAIIA/CIA WASHDC

RHEFAAA/DIA WASHDC

RHEHNSC/NSC WASHDC 0238

RUEKJCS/SECDEF WASHDC 0160

RUEKJCS/JOINT STAFF WASHDC

RHMFIIU/CDR USCENTCOM MACDILL AFB FL

UNCLAS SECTION 01 OF 02 ASTANA 002025

SENSITIVE

SIPDIS

STATE FOR SCA/CEN, EEB/ESC

E.O. 12958: N/A

TAGS: [PGOV](#) [EPET](#) [EINV](#) [KZ](#)

SUBJECT: KAZAKHSTAN: KASHAGAN PROJECT UNLIKE ANYTHING ELSE IN THE  
WORLD

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: On October 4, Eurasian Energy Diplomacy Coordinator Ambassador Steve Mann visited the offshore and onshore facilities of the North Caspian Sea Production Sharing Agreement project -- also known as Kashagan -- with Umberto Carrara, Managing Director of project operator Agip KCO, a company wholly owned by Italy's Eni. (NOTE: The revised terms of the Kashagan contract, which are currently in final negotiations, envision a new Kashagan operatorship model under which operatorship responsibilities will be divided among several Kashagan consortium partners. END NOTE.) Mann and his delegation were impressed with the scope, scale, complexity, and cost of operations at the single largest oil field outside of the Middle East and, with 13 billion barrels of recoverable oil, the largest field discovered since the 1968 discovery of Prudhoe Bay on the North Slope of Alaska. END SUMMARY.

#### LIMITLESS LANDSCAPE LEADS TO MAN-MADE ISLANDS

13. (SBU) Seen from a helicopter, northern Kazakhstan's flat, dry, limitless landscape, pockmarked by white salt and muddy marshes, looks uninviting, even unearthly. When the unique design of Kashagan's offshore installation comes into view, with its icebreaking barrier reefs and man-made islands, it becomes even more apparent that this is a workplace unique in the world. Visitors arrive at D Island, which provides housing, drilling, processing, and treatment facilities for the Experimental Program of the project, comprising exploration and production operations at Kashagan, Karian, Aktote, Kalamkas, and Kashagan Southwest. Kashagan is a "hybrid" operation, combining onshore activities and offshore platforms. This unique combination was necessitated by the location, climate, size, pressure, sulfur content, and technical challenges of the project.

#### CUSTOM-TAILORED TECHNOLOGY

14. (SBU) The field is located offshore in an extremely harsh environment, where water is shallow, temperatures drop to 40 below,

and sea ice is a constant threat. As a result of this extreme climate, Agip KCO commissioned six specially-designed Ice-Breaking Emergency Evacuation Vehicles (IBEEVs), built in Poland at a cost of \$50 million each, to evacuate up to 348 people at a time in case of a gas leak or explosion. The vehicles are water-tight, air-tight, ice-class vessels that a crew of two can navigate as a submarine. They contain sufficient oxygen supplies to sustain crew and passengers for up to six hours, enough time to escape a noxious sulfur gas cloud in case of emergency. Agip KCO conducts extensive safety training and drills for all 1,650 offshore employees every week and successfully tested the IBEEV's performance during a safety drill last winter in two feet of ice.

#### PRODUCTION AND TRANSPORTATION EXPECTATIONS

15. (SBU) Agip KCO Managing Director Carrera told Ambassador Mann six scheduled to be finished by the end of 2009. According to Agip KCO, the six completed appraisal wells can produce more than 150,000 b/d, an average of 30,000 b/d per well, which is comparable to wells in the Middle East. Oil services companies Halliburton and Schlumberger have brought the latest in directional drilling technology to Kashagan, drilling up to 5,000 meters deep and 3,500 meters horizontally.

16. (SBU) Drilling, separation, and gas reinjection occur at the offshore drilling site, but the high-sulfur gas is treated onshore, both for safety and environmental reasons, to minimize the offshore footprint of operations. The Kashagan consortium will export crude through a combination of rail and pipeline, including 60,000 b/d

ASTANA 00002025 002 OF 002

through the Caspian Pipeline Consortium (CPC) pipeline, a custom-built railroad with more than 10,000 railcars, and cross-Caspian oil tankers. Carrera estimates that the pipelines from the offshore production and onshore processing facilities, which connect to export pipelines in Atyrau, will be completed by early November. He said that the Kashagan consortium will reinject all of the natural gas into the reservoir and has no plans to export significant quantities of natural gas, even after 2013. "But the gas will still be there after the end of full-field development. It won't go away," Carrera explained.

#### ENVIRONMENTAL PROTECTION A TOP PRIORITY

17. (SBU) Agip KCO appears extremely protective of the marine environment. The mandatory safety briefing warns visitors not to throw anything into the Caspian Sea and signs are posted throughout the facility reading, "No discharges to the sea whatsoever." In fact, Kashagan collects, filters, and recycles all of the water it uses, including rainwater runoff. Agip KCO has also invested in airtight sulfur storage containers that will ensure that dried sulfur blocks are not crushed or come into contact with the atmosphere.

#### KASHAGAN COSTS STAGGERING

18. (SBU) The cost of Kashagan is quite literally staggering, at least until one sees the scope and scale of its one-of-a-kind infrastructure, much of it assembled at sea under brutal conditions. As Carrera quipped, "We are really in the middle of nowhere here." A guided tour of Kashagan's extensive network of highways and access roads, railroads, processing facilities, and power plants helps one understand how this complex, remote, uniquely challenging project has increased in estimated cost from \$2 billion to more than \$40 billion for the Experimental Program alone. (NOTE: Kashagan consortium partners ExxonMobil and Shell told us that the project incurred more than \$3 billion in unexpected costs when the islands were discovered to have been built too close to the sour gas injection plant. The islands had to be dismantled and rebuilt at a safer distance from the processing facility -- much to the chagrin of Agip KCO. END NOTE.)

#### FACILITY SECURITY ISSUES

19. (SBU) Carrera said that Agip KCO is not concerned about external

threats to the security of Kashagan's onshore or offshore operations. "We're in good control of the situation," he said. Agip KCO has its own internal public safety patrol to enforce traffic safety and an employee code of conduct. They conduct rigorous driving tests and issue their own driver's licenses, and they work with local Kazakhstani security forces, police, and government officials to monitor security threats. Carrera said there have been infrequent reports of minor theft and employee fights with locals, but he reassured Ambassador Mann that they have learned a lesson from the 2006 riots at Tengiz and are vigilant in patrolling their territory and monitoring their employees. Carrera maintained that there are no significant Kazakhstani resources dedicated to ensuring the safety and security of Kashagan's operations, whether onshore or offshore. "We are their coast guard and their navy," he argued. "We have helicopters and rescue vehicles that they will need in a time of crisis."

10. (U) Ambassador Mann has not/not cleared this cable.

HOAGLAND